

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 PA-01 PRS-01 AGR-05 IO-11 /108 W

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R 051429Z MAR 76

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 2676

INFO AMEMBASSY KUWAIT

AMEMBASSY LONDON

USMISSION OECD PARIS

AMCONSUL ADANA

AMCONSUL ISTANBUL

AMCONSUL IZMIR

C O N F I D E N T I A L ANKARA 1757

E.O. 11652: NGDS

TAGS: EFIN, TU

SUBJ: TURKISH BALANCE OF PAYMENTS DEVELOPMENTS.

REF: ANKARA 1281, ANKARA 0926 (NOTAL)

1. SEVERAL LOCAL SOURCES HAVE REPORTED THAT GOT IS NEARING COMPLETION OF ARRANGEMENTS TO BORROW ONE BILLION DOLLARS FOR TEN YEARS FROM AN INTERNATIONAL BANKING GROUP. ECONOMIC/COMMERCIAL COUNSELOR MARCH 5 TALKED WITH DEPUTY GOVERNOR OF TURKISH CENTRAL BANK (NACI TIBET) TO SEEK FURTHER INFORMATION ON THESE REPORTS AND ON OTHER RECENT DEVELOPMENTS REGARDING TURKEY'S BALANCE OF PAYMENTS PROSPECTS.

2. TIBET SAID NEGOTIATIONS FOR A ONE BILLION DOLLAR 10-YEAR LOAN ARE WELL UNDER WAY. THEY ARE BEING CARRIED OUT BY TURKISH TREASURY WITH A SMALL LONDON BANK WHICH REPRESENTS A CONSORTIUM OF US AND EUROPEAN BANKS. TIBET SAID THESE ARE SERIOUS NEGOTIATIONS THAT ARE BEING CARRIED

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OUT DIRECTLY WITH BANKERS AND NOT RPT NOT THROUGH THE

INTERMEDIARY OF "A MAN WITH A BRIEF CASE" OF THE TYPE THAT HAS FREQUENTLY MADE SUCH PROPOSALS TO TURKISH AUTHORITIES. TIBET COULD NOT READILY IDENTIFY THE BANK OR BANKS INVOLVED AS HE HAS NOT TAKEN PART IN THE DISCUSSIONS, AND OUR MINISTRY OF FINANCE CONTACTS WHO MIGHT PROVIDE FURTHER DETAILS WILL NOT BE AVAILABLE UNTIL NEXT WEEK. IF THIS LOAN GOES THROUGH, TIBET SAID, GOT WOULD NOT RPT NOT NEED NET ADDITIONAL FLOW OF SHORT TERM CONVERTIBLE LIRA DEPOSITS WHICH SUSTAINED GOT BALANCE OF PAYMENTS LAST YEAR. HOWEVER, GOT WOULD PROBABLY STILL PERMIT NEW FUNDS TO FLOW INTO SUCH ACCOUNTS, BUT IT WOULD PROBABLY TRY TO ARRANGE LOWER EFFECTIVE INTEREST RATES AND COMMISSIONS.

3. TIBET SAID IF THIS LOAN IS SUCCESSFULLY NEGOTIATED, IT WILL PUT TURKEY'S BALANCE OF PAYMENTS IN A COMFORTABLE POSITION THROUGH THE REMAINDER OF THIS YEAR AND ON INTO NEXT YEAR AND ALLOW TIME FOR OTHER FAVORABLE DEVELOPMENTS TO PROGRESS. THE PROPOSED LOAN, HOWEVER, IS ONLY ONE OF SEVERAL DEVELOPMENTS, HE MENTIONED, WHICH ARE EXPECTED TO WORK TO EASE TURKEY'S FOREIGN EXCHANGE POSITION IN THE MONTHS AHEAD, AS FOLLOWS:

A. TURKEY'S EXPORTS HAVE BEEN GOING EXTREMELY WELL IN 9176. EXPORTS REACHED AN ALL TIME MONTHLY RECORD IN JANUARY (ANKARA 1281). PRELIMINARY FIGURES INDICATE THIS VERY GOOD PERFORMANCE HAS CONTINUED IN FEBRUARY. (TO DEMONSTRATE TIBET COULD ONLY CITE CENTRAL BANK PURCHASES OF EXPORT RECEIPTS AS THE USUAL CUSTOMS DATA ON FEBRUARY EXPORTS ARE NOT YET AVAILABLE). IMPORTS ARE TENDING TO LEVEL OFF. TIBET BELIEVES THIS TREND WILL CONTINUE AS STOCKS IN MANY SECTORS ARE VERY HIGH. (EMBASSY NOTE: TURKISH AUTHORITIES ARE IN FACT USING ADMINISTRATIVE DELAYS AND OTHER TACTICS TO SLOW DOWN IMPORTS.) FAVORABLE MOISTURE DURING RECENT MONTHS WAS MENTIONED AS FACTOR THAT COULD BRING ANOTHER GOOD WHEAT CROP AND ADD TO EXPORT RECEIPTS.

B. TIBET POINTED TO GOOD PROGRESS IN ECONOMIC RECOVERY IN US AND IN WEST GERMANY WHICH SHOULD SOON STIMULATE OTHER WEST EUROPEAN COUNTRIES WHICH WITH US TAKE MOST OF TURKEY'S

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EXPORTS. THIS SHOULD FURTHER HELP STRENGTHEN DEMAND FOR EXPORTS.

C. GOT EXPECTS TO BE ABLE TO DRAW UP TO 300 MILLION FROM IMF THIS YEAR UNDER OIL FACILITY, COMPENSATORY FINANCING AND OTHER ARRANGEMENTS. THIS DOES NOT RPT NOT INCLUDE POSSIBLE DRAWINGS UNDER CREDIT TRANCHES. TURKEY HAS NOT RPT NOT REQUESTED USE OF CREDIT TRANCHES BUT

THEY COULD PROVIDE ADDITIONAL BORROWINGS OF UP TO 200 MILLION IF IT SHOULD BE NEEDED. IMF TEAM WAS IN ANKARA IN JANUARY (SEE ANKARA 0926) AND IS NOW PREPARING ITS REPORT. TIBET FELT THAT THERE WERE NOT SIGNIFICANT DIFFERENCES BETWEEN IMF AND GOK.

D. KUWAIT OFFICIALS HAD RECENTLY TOLD TIBET THAT THEY WOULD BE READY TO PROVIDE ONE BILLION LOAN TO TURKEY IF IT SHOULD BE NEEDED. THEY INDICATED, HE SAID, THAT BECAUSE OF TURKEY'S GEOGRAPHIC POSITION NEXT TO SOVIET UNION AND AS A BUFFER FOR THE MIDDLE EAST, GOK HAD IMPORTANT INTEREST IN MAINTAINING STRENGTH OF TURKEY. PROPOSAL FOR THIS LOAN IS NOT BEING ACTIVELY FOLLOWED UP, BUT COULD BE DEVELOPED INTO SOMETHING, TIBET SAID.

E. TURKISH DISCUSSIONS WITH EUROPEAN COMMON MARKET INDICATE THAT NEW CREDIT FORM THAT SOURCE WILL BECOME AVAILABLE SOON (ANKARA 1668 AND EC BRUSSELS 2192)

4. TIBET ACKNOWLEDGED THAT REMITTANCES FROM TURKISH WORKERS HAVE DROPPED OFF SHARPLY THUS FAR DURING 1976. THIS HAS BEEN ATTRIBUTED TO RUMORS THAT TURKISH LIRA WOULD BE DEVALUED. TURKISH PRIME MINISTER AND MINISTER OF FINANCE MADE CLEAR IN FEBRUARY THAT THERE WAS NO NEED FOR SIGNIFICANT DEVALUATION BUT THIS HAS NOT YET HELPED RESTORE FLOW OF REMITTANCES. TIBET SAID PROBABLY MUCH OF EXPECTED FLOW OF REMITTANCES HAVE GONE THROUGH BLACK MARKET CHANNELS.

5. EMBASSY COMMENT: EMBASSY OFFICERS HAVE HAD STEADY FLOW OF US BANKERS (FOR EXAMPLE: THREE DURING PAST WEEK) MOST OF WHOM CALL ON US SEVERAL TIMES PER YEAR AND WHO ARE WATCHING ECONOMIC SITUATION IN TURKEY CAREFULLY. VIRTUALLY ALL OF THESE HAVE INDICATED THAT THEY WILL PROBABLY ROLL OVER THEIR DEPOSITS IN TURKISH LIRA ACCOUNTS WHICH

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MATURE THIS SUMMER. REPRESENTATIVE OF ONE BANK (ALLIED BANK INTERNATIONAL WHOSE PARTNERS INCLUDE 18 IMPORTANT REGIONAL BANKS IN U.S.) SAID HIS GROUP IS NOW PLANNING ON STARTING ACTIVITY IN TURKEY AND PROBABLY WILL SOON PUT MONEY INTO CONVERTIBLE LIRA ACCOUNTS. A NUMBER OF THESE BANKING REPRESENTATIVES HAVE INDICATED THAT THEY WOULD BE PREPARED TO PUT MONEY INTO NEW SOUND DEVELOPMENTAL VENTURES IN TURKEY THAT MAY COME TO ATTENTION. THESE BANKERS ALL BELIEVE THAT SITUATION HERE SHOULD BE WATCHED CAREFULLY. HOWEVER, THEY USUALLY NOTE THAT WHILE TURKEY'S FOREIGN EXCHANGE RESERVES HAVE DROPPED SHARPLY DURING PAST TWO YEARS, THEY HAVE IN FACT BEEN TRADED OFF AGAINST A VERY GOOD RATE OF GROWTH. REAL GROWTH OF GNP WAS JUST OVER SEVEN PERCENT DURING BOTH 1974 AND 1975. IN THIS RESPECT, TURKEY IS

IN RELATIVELY BETTER POSITION THAN MOST OTHER DEVELOPING
COUNTRIES. MACOMBER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BALANCE OF PAYMENTS, NEGOTIATIONS, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ANKARA01757
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760085-0747
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760392/aaaaddgj.tel
Line Count: 171
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 ANKARA 1281, 76 ANKARA 926
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2004 by MartinML>; APPROVED <04 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TURKISH BALANCE OF PAYMENTS DEVELOPMENTS.
TAGS: EFIN, TU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006